# EXHIBIT "E"

Cincinnati Post (KY)


October 18, 2005

Section: Business

# HEALTH CARE CUTS\ GM, AUTO WORKERS REACH AGREEMENT TO SLASH BILLIONS

Compiled from Post news services

General Motors on Monday took the first major steps to turn its fortunes around, announcing it had reached a sorely needed deal with its biggest union to cut health-care costs. The troubled carmaker also said it had lost $1.6 billion in the last quarter and was thinking of selling part of GMAC, its profitable finance unit, to help improve the subsidiary's credit rating.

G. Richard Wagoner Jr., GM's chief executive, said the agreement between the world's largest auto maker and the United Auto Workers marks the largest reduction GM has ever announced in a single day.

The moves underscore the dire condition of the U.S. auto industry and point to a new reality that is forcing workers and management to cooperate in finding quick solutions. U.S. carmakers have watched consumers move away from gas-guzzling sport-utility vehicles in favor of more efficient models -- a trend that has become more pronounced as gas prices have soared.

The health care agreement will save GM $1 billion in cash annually. John Devine, the company's vice chairman and chief financial officer, said the tentative agreement on health care would reduce GM's retiree health care liabilities by about 25 percent, or $15 billion, over a seven-year period. It would cut GM's annual employee health care expenses by about $3 billion on a pretax basis.

Wagoner also said Monday GM is cutting $4 billion in costs by shuttering factories, slashing 25,000 manufacturing jobs, freezing bonuses, and cutting health benefits for nonunion workers and retirees. In addition, GM wants to reduce its materials costs by $1 billion next year by using lower-cost suppliers. The GM of the future will be a smaller, leaner company designed to better compete with its more nimble foreign rivals.

Staggered by slow sales of its SUVs, GM said it is stepping up development of more fuel-efficient technology and the rollout of hybrid-powered cars. The automaker has long relied on the popularity -- and profitability -- of its trucks and SUVs, but the run-up in gas prices has turned the strategy into a liability. Wagoner told GM employees Monday that the company had "too much reliance" on trucks and SUVs.

GM once dominated the U.S. auto industry, but its market share has steadily slid over the past 30 years in the face of aggressive foreign competition. Japanese, Korean and European rivals have attacked with new vehicles in every major segment of the market. Meanwhile, costs for materials, including the price of steel and oil-based products, have shot up.

The Big Three automakers have closed factories and shed parts of their operations and made gains in vehicle quality. Company executives have complained, though, about their inability to slash unionized labor costs. Wagoner on Monday characterized wage and health-care costs for unionized workers and retirees as GM's "single line item of greatest cost uncompetitiveness."

Those costs include some of the richest compensation plans of any manufacturing workers in the world. The plans were won through decades of collective bargaining agreements between the Big Three automakers and the UAW. Wagoner has been particularly forceful in pushing the union for concessions to bring down GM's health care bill, which is expected to reach $5.6 billion this year. GM's UAW members now pay 7 percent of their health-care costs, while the company's salaried employees pay 27 percent.

GM said the new agreement will save money by cutting health-care costs for current UAW workers and retirees. The plans would reduce GM's retiree health care liabilities by about $15 billion, or 25 percent of its total liabilities. In addition, GM said the agreement will slash pretax health-care expenses by $3 billion. Few details were available, so the impact on individual workers was unclear. The agreement needs to be ratified by the UAW membership. The deal between GM and the union could be replicated at Ford and Chrysler. Ford said Monday it was in talks with the UAW on ways to reduce health care costs.

Himanshu Patel, an auto analyst with JPMorgan Chase & Co., said the agreement will make a substantial dent in GM's $80 billion health care liability. Other analysts said the cuts may not stave off the red ink for very long, especially since GM could be liable for billions in benefits at parts supplier Delphi Corp., which has filed for bankruptcy protection.

Under the agreement, GM would expand eligibility for some benefits to former GM employees who became employees at auto supplier Delphi. GM spun off Delphi in 1999, and the auto supplier filed for bankruptcy protection earlier this month. GM had said it could be liable for anywhere from nothing to $11 billion in benefits for Delphi employees, but the company said that now could reach $12 billion because of the new agreement. Devine said it's more likely GM's liability will be about half that amount.

The tentative agreement includes contributions to a new, independent voluntary employee benefit plan, which will be partially funded by GM. GM said it will contribute $1 billion annually to the fund in 2006, 2007 and 2011.

In a statement, UAW President Ronald A. Gettelfinger and Richard Shoemaker, the UAW vice president who oversees GM affairs, said that the agreement was in the best interests of the UAW membership and that it was a result of the union's in-depth analysis of GM's financial situation.

For labor, amending the union contract, which will not expire until 2007, was not easy. Labor experts say the agreement marks the most significant deal since the UAW reopened its contracts with GM and Ford before they expired because of a deteriorating U.S. economy in 1982. Those negotiations resulted in major union concessions on vacation time, cost of living and job security issues.

The deal represents labor's evolving role as a "partner and collaborator rather than an antagonist," according to David E. Cole, chairman of the Center for Automotive Research. He said the UAW recognized the need to make concessions because of the competition in the marketplace. "There's been a sea change," he said. "It's a coming out party for collaboration."

The dealmaking between GM and the UAW stands in stark contrast to the rancorous relationship between the auto-parts supplier Delphi Corp. and the union. Delphi filed for Chapter 11 bankruptcy protection earlier this month after demands for concessions went unanswered.

As part of its turnaround, GM has cut 30 percent of its salaried workforce in the past five years. Since 2003, the company has closed factories that assemble about 1 million vehicles, and it is reviewing a new list of factories to close, company officials said Monday.

Analysts welcomed the news that GM had won a deal with the union to trim labor costs. Shares of GM rose 7.5 percent on the New York Stock Exchange Monday. The analysts also said the deal represented a win for Wagoner, who has struggled to put a turnaround strategy in place.

Wagoner took control of North American operations in the spring.

Text of fax box follows:

New incentives

GM's troubles have spurred yet another discount program.

* Beginning Friday, GM dealers were given vouchers, good for $500 worth of gasoline, to be offered to consumers as deal-closers on 2005 and 2006 model mid-size and large sport-utility vehicles and pickup trucks.

* GM spokeswoman Brenda Rios said the number of vouchers varied by dealer: "It was based on dealer sales, so bigger dealerships got more."

* GM's third quarter was particularly hurt by disappointing SUV and truck sales.

-- Newsday

Photo

JOHN BAZEMORE/Associated Press
General Motors employee Jack Tinder rides on a cart past the assembly line at the GM Assembly Plant in Doraville, Ga. GM and the United Auto Workers reached a tentative agreement to lower health care costs.

Text of fax box follows story.

---- INDEX REFERENCES ----

COMPANY: UNITED AUTO GROUP INC; GENERAL MOTORS CORP;. GENERAL MOTORS ACCEPTANCE CORP;. DAIMLERCHRYSLER AG;. DELPHI CORP; JPMORGAN CHASE AND CO

NEWS SUBJECT:. (HR & Labor Management (1HR87); Corporate Financial Data (1XO59);. Business Management (1BU42);. Labor Relations (1LA21);. Profit Warnings (1PR33);. Financially Distressed Companies (1FI85);. Major Corporations (1MA93))

INDUSTRY:. (Land Transportation (1LA43); Automotive Models (1AU61); Manufacturing (1MA74);. Passenger Transportation (1PA35);. Transportation (1TR48);. Automobiles (1AU45);. Automotive Labor (1AU38);. Automotive (1AU29))

REGION: (Americas (1AM92); North America (1NO39);. USA (1US73))

Language: EN

OTHER INDEXING:. (CENTER FOR AUTOMOTIVE RESEARCH;. CHRYSLER;. DELPHI;. DELPHI CORP;. FORD;. GENERAL MOTORS;. GM;. GM ASSEMBLY PLANT;. GMAC;. JPMORGAN CHASE CO;. MONDAY GM;. NEW YORK STOCK EXCHANGE MONDAY;. SUV; UAW;. UNITED AUTO) (Brenda Rios; David E.. Cole; Devine;. G.;. HEALTH CARE; Himanshu Patel;. Jack Tinder; JOHN BAZEMORE;. John Devine;. Richard Shoemaker;. Richard Wagoner Jr.; Ronald A.. Gettelfinger;. Text;. Wagoner)

EDITION:. Final

Word Count:. 1580
10/18/05 CINPOST B8
END OF DOCUMENT
More Like This | More Like Selected Text